



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

March 22, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *tm*
Auditor-Controller

SUBJECT: **ST. MARY MEDICAL CENTER – OFFICE OF AIDS PROGRAMS AND
POLICY – AN HIV/AIDS PREVENTIVE CARE AND CARE SERVICES
CONTRACTOR**

We have completed a fiscal review of Saint Mary Medical Center (SMMC or Agency), an HIV/AIDS preventive care services provider.

Background

The Department of Public Health, Office of AIDS Programs and Policy (OAPP) contracts with St. Mary Medical Center to provide HIV/AIDS ambulatory/outpatient medical services, mental health, case management, family support, HIV peer support, and home health care services. SMMC is located in the Fourth District.

At the time of our review, SMMC had six contracts with OAPP. SMMC received approximately \$1.5 million in OAPP funds from March 1, 2005 to September 30, 2006.

Purpose/Methodology

The purpose of our review was to ensure that SMMC appropriately charged OAPP for services provided in accordance with the County contract. We also evaluated the adequacy of SMMC's accounting records, internal controls, and compliance with the contract and applicable federal and State fiscal guidelines governing the Ryan White, Comprehensive AIDS Resource Emergency Act. In addition, we determined whether the Agency provided services to eligible participants.

Results of Review

Generally, SMMC maintained sufficient controls over its business operations to ensure that OAPP funds are appropriately used for program related activities and their business transactions were accurately recorded. However, SMMC needs to correct contract compliance deficiencies. Specifically:

- SMMC charged OAPP \$11,614 in salaries and employee benefits for an employee out on maternity leave from November 2005 to March 2006.
- SMMC's staff did not report on their timecards the hours worked each day on the OAPP program. Therefore, we were unable to verify the appropriateness of payroll expenses billed to OAPP.

In addition, SMMC's financial records for each OAPP contract did not identify payroll expenditures as required by the County contract. Subsequent to our review, SMMC reversed the unsupported payroll charges to OAPP.

The details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with SMMC in November 2006. In their attached response, SMMC generally agreed with our findings and recommendations. We also notified OAPP of the results of our review.

We thank SMMC for their cooperation and assistance during our review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Jonathan E. Fielding, M.D., M.P.H., Director, Public Health Department
Joel P. Yuhas, Chief Operating Officer, St. Mary Medical Center
Public Information Office
Audit Committee

**COUNTYWIDE CONTRACT MONITORING DIVISION
HIV/AIDS PREVENTIVE CARE AND CARE SERVICES
FISCAL YEAR 2006-2007
ST. MARY MEDICAL CENTER**

ELIGIBILITY

Objective

Determine whether St. Mary Medical Center (SMMC or Agency) provided services to individuals that meet the eligibility requirements of the Office of AIDS Programs and Policy (OAPP).

Verification

We reviewed the case files of eighteen participants that received services between February and June 2006, to confirm their eligibility for OAPP program services.

Results

The case files for three (16%) of the eighteen participants did not contain documentation to support the participants' eligibility to receive program services. Specifically, two files did not contain the clients' income assessments and one file did not contain the client's residency verification.

Recommendation

1. **SMMC management ensure that staff obtain the appropriate documentation to support income assessment and verification of residency.**

CASH/REVENUE

Objective

Determine whether cash receipts are properly recorded in the Agency's accounting records and deposited timely into the Agency's bank account. Determine whether the bank reconciliations are properly prepared and reconciling items are valid and cleared in a timely manner. In addition, determine whether the Agency maintained adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed SMMC's personnel and reviewed the Agency's financial records. We also reviewed the bank reconciliations for April and May 2006.

Results

SMMC appropriately recorded and deposited cash receipts timely to the Agency's bank account. SMMC also performed monthly reconciliations and had adequate cash controls in place.

Recommendation

There are no recommendations for this section.

EXPENDITURES**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed to the program.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 23 non-payroll expenditure transactions totaling \$69,758 (14%) of \$488,500 that the Agency billed from March 2005 to February 2006.

Results

SMMC's expenditures were allowable, accurately billed to OAPP and supported by documentation as required.

Recommendation

There are no recommendations for this section.

INTERNAL CONTROLS**Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed SMMC personnel, reviewed their policies and procedures manuals and tested transactions in various areas such as cash, expenditures, payroll and personnel.

Results

Generally, SMMC maintained sufficient internal controls over its business operations. However, SMMC did not inform OAPP of the six subcontractors the Agency uses to provide services. The County contract states that subcontractors shall be approved by the County's OAPP Director or his/her authorized designee prior to providing services.

Recommendation

2. SMMC management ensure that subcontractors are approved by OAPP prior to the subcontractors providing services.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether SMMC's fixed assets and equipment purchases made with OAPP funds are used for the OAPP program and are safeguarded.

We did not perform testwork in this section as the SMMC did not use OAPP funds to purchase fixed assets.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures are appropriately charged to the OAPP program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenditures for ten employees to the payroll records and time reports totaling \$23,000 for March 2006. We also reviewed ten personnel files for the staff sampled.

Results

Generally, SMMC maintained the required documents in the employees' personnel files. However, SMMC's payroll billings were based on budget and not actual costs as required. As a result:

- SMMC charged OAPP \$11,614 in salaries and employee benefits for an employee out on maternity leave from November 2005 to March 2006.
- SMMC's staff did not report on their timecards the hours worked each day on the OAPP program. Therefore, we were unable to verify the appropriateness of payroll expenses billed to OAPP.

In addition, SMMC's financial records for each OAPP contract did not identify payroll expenditures as required by the County contract.

Subsequent to the completion of our review, SMMC reversed the \$11,614 in unsupported payroll charges on their June 2006 invoice to OAPP.

Recommendations

SMMC management:

3. **Ensure billings of payroll expenditures are based on actual costs.**
4. **Ensure employees' timecards indicate the total hours worked each day by program.**
5. **Ensure financial records for each OAPP contract reflect all expenditures, including payroll costs.**

COST ALLOCATION PLAN

Objective

Determine whether SMMC's Cost Allocation Plan is prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed SMMC's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency from March 2005 to June 2006 to ensure that the expenditures were properly allocated to each program.

Results

SMMC appropriately allocated their non-payroll related expenditures. However, as previously indicated, SMMC's payroll billings were not based on actual costs. As a result, we recommended that SMMC bill and allocate payroll expenditures based on actual costs and ensure employees' timecards indicate the total hours worked each day by program.

Recommendation

Refer to recommendations 3 and 4 above.



St. Mary Medical Center
CHW

1050 Linden Avenue
Long Beach, CA 90813-3393
(562) 491-9000 Telephone
(562) 436-6378 Fax

January 26, 2007

*J. Tyler McCauley
Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Suite #51
Alhambra, CA 91803*

Dear Mr. McCauley:

This is our response to the final report and the findings

Program Information: St. Mary Medical Center – CARE Program and Clinics
Office of AIDS Program and Policy

#1.

Objective: Determine whether St. Mary Medical Center SMMC provided services to individuals that meet the eligibility requirements of the Office of AIDS Program and Policy (OAPP)

Results: The case files for three (16%) of the eighteen participants did not contain documentation to support the participants' eligibility to receive program services. Specifically, two files did not contain the clients' income assessment and one file did not contain the client's residency verification.

Management Response: SMMC management will ensure that all case files contain participants' annual income assessment and verification of Los Angeles County residency. Our ADAP Case Managers will ensure that the information is also updated in the Casewatch system.

#2.

Objective: Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Results: Generally, SMMC maintained sufficient internal controls over its business operations. However, SMMC did not inform OAPP of the six subcontractors the Agency users to provide services. The County contract states that subcontractors shall be

approved by County's OAPP Director or his/her authorized designee prior to providing services.

Management Response: SMMC management will forward all new subcontractor information to OAPP prior to the provision of services.

#3.

Objective: Determine whether payroll expenditures are appropriately charged to the OAPP program. In addition, determine whether personnel files are maintained as required.

Results: Generally, SMMC maintained the required documents in the personnel files. However SMMC's payroll billing were based on budget and not actual costs as required. As a result:

- SMMC charged OAPP \$11,614 in salaries and employees benefits for an employee out on maternity leave from November 2005 to March 2006.
- SMMC's staff did not report on their timecards the hours worked on the OAPP program. In addition, SMMC's financial records for each OAPP contract did not identify payroll expenditures as required by the County contract.

Management Response: An adjustment for the overcharged salaries and benefits were submitted to OAPP on the June 2006 invoice, this was submitted on August 14, 2006.

Effective January 2007 SMMC will be using a new time keeping system. This system will allow staff to clock in and out by hours worked and by program/contract number. This new time keeping system will allow for accurate program/contract allocation of time worked. SMMC management will continue to approve all timecards.

SMMC will no longer bill OAPP a twelfth of their salary monthly. SMMC will bill OAPP based on actual hours worked and actual payroll expenditures.

If you have any questions or need further information, please contact Sharon McNealy, Director Finance at 562/491-9189.

Sincerely,



Joel Yuhas
Chief Operating Officer